

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Milford, Michigan	County Oakland
Audit Date December 31, 2004	Opinion Date January 31, 2005	Date Accountant Report Submitted To State: March 10, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Milford, Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2004**

Charter Township of Milford

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Charter Township of Milford

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Independent Auditor's Report

To the Township Board
Charter Township of Milford
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Milford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Milford

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Milford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note I, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2004. As discussed in Note I, the Township changed its method of accounting for state-shared revenue.

Plante & Moran, PLLC

January 31, 2005

Charter Township of Milford

Management's Discussion and Analysis

Overview of the Financial Statements

The Charter Township of Milford's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental Activities - Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

Business-type Activities - The Township is in the process of constructing a sewer system and will charge fees to customers in the future to help cover the costs of certain services it provides. The Township's sewer system is treated as a business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

Charter Township of Milford

Management's Discussion and Analysis (Continued)

The Township has three types of funds:

Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Overview

The Township has total net assets of \$5.5 million, comprised entirely from governmental activities. This is an increase over 2003 of \$116,000. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current assets	\$ 9,582	\$ 8,456	\$ 701	\$ -	\$ 10,283	\$ 8,456
Noncurrent assets	9,583	10,184	762	-	10,345	10,184
Total assets	19,165	18,640	1,463	-	20,628	18,640
Liabilities						
Current liabilities	6,140	5,656	263	-	6,403	5,656
Long-term liabilities	7,550	7,625	1,200	-	8,750	7,625
Total liabilities	13,690	13,281	1,463	-	15,153	13,281
Net Assets						
Invested in capital assets -						
Net of related debt	2,355	2,784	-	-	2,355	2,784
Restricted	1,124	975	-	-	1,124	975
Unrestricted	1,996	1,600	-	-	1,996	1,600
Total net assets	<u>\$ 5,475</u>	<u>\$ 5,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,475</u>	<u>\$ 5,359</u>

Charter Township of Milford

Management's Discussion and Analysis (Continued)

The Township experienced a slight change in the assets of the governmental activities due to general revenues exceeding expenditures. Also, in 2004 the Township began collecting revenue from the Annie Lang special assessment district to pay for future debt service. These increases in net assets were offset by depreciation on the Township's capital assets. Construction of the police and library buildings was completed in 2003 and the Township began depreciating these assets in 2003.

The Township began constructing a sewer system in 2004 and business-type net assets have not been accumulated at this point. Bond anticipation notes were issued for \$1.2 million and \$762,000 has been spent on construction in progress as of December 31, 2004.

The following table shows the changes in net assets for 2004. Future reports will provide comparative data for the statement of activities.

(In thousands of dollars):

	Governmental Activities
Revenue	
Program revenue:	
Charges for services	\$ 867
Operating grants and contributions	63
Capital grants and contributions	179
General revenue:	
Property taxes	4,614
State-shared revenue	695
Unrestricted investment earnings	59
Cable revenues	54
Other revenue	1
Total revenue	6,532
Program Expenses	
General government	1,001
Public safety	3,576
Public works	912
Community and economic development	54
Recreation and culture	482
Interest on long-term debt	391
Total program expenses	6,416
Change in Net Assets	\$ 116

Charter Township of Milford

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled \$6.5 million in 2004. A total of \$4.6 million was in the form of property tax collections, an increase of \$91,000 over 2003. This increase is due to the continuing growth in the tax base. State-shared revenues continue to be of concern. While it provided \$695,000, we are uncertain what will happen in 2005 given the State's financial difficulties. Charges for services, primarily for inspections and refuse operations, generated \$867,000.

Current Economic Events

In 2004, .1250 mills were passed to operate the Senior Center, which will raise approximately \$105,000 per year. Additionally, .1000 mills were passed for a recreational trail that will raise approximately \$1.6 million over the term of the millage.

The Township is also in the process of developing a system of supplying water to certain portions of the Township. Escrow accounts are in place for maintenance and repair or replacement of subdivision wastewater systems.

The Township's police building was constructed under budget, allowing the excess bond proceeds to be used for debt service on the related bonds. As a result, fewer tax dollars will need to be collected from Township residents to make payments on the debt.

Revenue sharing, as it was in 2004, continues to be the most significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2005 calls for a level funding for state revenue-sharing payments.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2004 with a fund balance of \$1.3 million, with \$795,140 designated for specific purposes. Several factors affected operating results. First, state-shared revenue was \$73,000 over the amended budget due to the change in accounting method for recognizing the revenue, as discussed in Note 1 to the financial statements. Tax revenue was up due to increased taxable value. Tax collections were \$3,227,000 for 2004, which is an increase of \$58,000 over 2003. Additionally, building permit revenue was \$399,000 in 2004, which is an increase of \$197,000 over 2003. Total revenues in the General Fund of \$4,699,633 exceeded expenditures of \$4,436,346 by \$263,287 and increased fund balance by the same amount.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 94 percent of budget. With the exception of the previously mentioned items, no major General Fund areas were significantly under or over budget.

Charter Township of Milford

Management's Discussion and Analysis (Continued)

Capital Assets and Debt

At the end of 2004, the governmental activities of the Township had approximately \$9.6 million, net of depreciation, invested in a broad range of capital assets including buildings, fire and office equipment, and vehicles. Business-type activities reported \$762,000 of construction in progress in 2004 related to the construction of the sewer system

Debt relating to special assessment projects and the police and library buildings of \$7,550,000 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to the sewer system totaling \$1.2 million is recorded as a liability in the business-type activities in the statement of net assets.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, we welcome you to contact the Clerk's office.

Charter Township of Milford

Statement of Net Assets December 31, 2004

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 5,939,414	\$ 211,566	\$ 6,150,980
Receivables:			
Taxes receivable	3,115,964	-	3,115,964
Special assessments and other	172,161	-	172,161
Due from other governmental units	106,048	-	106,048
Restricted assets (Note 8)	207,121	489,900	697,021
Investment in joint venture	41,061	-	41,061
Capital assets (Note 5):			
Capital assets not being depreciated	4,534	761,822	766,356
Capital assets being depreciated - Net	9,578,797	-	9,578,797
Total assets	19,165,100	1,463,288	20,628,388
Liabilities			
Accounts payable	66,081	49,742	115,823
Accrued and other liabilities	308,375	1,980	310,355
Due to other governmental units	1,752	-	1,752
Refundable deposits	283,226	-	283,226
Deferred revenue (Note 4)	5,480,526	211,566	5,692,092
Noncurrent liabilities (Note 7):			
Due within one year	290,000	1,200,000	1,490,000
Due in more than one year	7,260,000	-	7,260,000
Total liabilities	13,689,960	1,463,288	15,153,248
Net Assets			
Invested in capital assets - Net of related debt	2,355,248	-	2,355,248
Restricted:			
Cemetery operations	61,682	-	61,682
Debt service	90,627	-	90,627
Capital projects	10,046	-	10,046
Fire services	961,610	-	961,610
Unrestricted	1,995,927	-	1,995,927
Total net assets	\$ 5,475,140	\$ -	\$ 5,475,140

Charter Township of Milford

Statement of Activities Year Ended December 31, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Functions/Programs					
Primary government - Governmental activities:					
General government	\$ 1,000,855	\$ 38,707	\$ 57,542	\$ -	\$ (904,606)
Public safety	3,575,772	448,873	-	-	(3,126,899)
Public works	912,078	364,328	-	179,314	(368,436)
Community and economic development	53,950	14,854	4,940	-	(34,156)
Recreation and culture	481,584	-	-	-	(481,584)
Interest on long-term debt	391,432	-	-	-	(391,432)
Total governmental activities/ primary government	<u>\$ 6,415,671</u>	<u>\$ 866,762</u>	<u>\$ 62,482</u>	<u>\$ 179,314</u>	(5,307,113)
General revenues:					
Property taxes					4,614,090
State-shared revenues					694,906
Unrestricted investment earnings					59,916
Cable revenues					54,209
Miscellaneous					83
Total general revenues					<u>5,423,204</u>
Change in Net Assets					116,091
Net Assets - Beginning of year					<u>5,359,049</u>
Net Assets - End of year					<u>\$ 5,475,140</u>

Charter Township of Milford

Governmental Funds Balance Sheet December 31, 2004

		Major Special Revenue Fund	Major Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire Voted Millage Operations	Debt Service		
Assets					
Cash and cash equivalents (Note 3)	\$ 2,956,349	\$ 1,442,263	\$ 368,127	\$ 1,172,675	\$ 5,939,414
Special assessments	-	-	-	149,980	149,980
Receivables:					
Tax receivables	2,120,966	459,675	375,237	160,086	3,115,964
Other	22,181	-	-	-	22,181
Due from other funds (Note 6)	100,000	-	-	9,875	109,875
Due from other governmental units	106,048	-	-	-	106,048
Restricted assets (Note 8)	-	-	146,917	60,204	207,121
Total assets	<u>\$ 5,305,544</u>	<u>\$ 1,901,938</u>	<u>\$ 890,281</u>	<u>\$ 1,552,820</u>	<u>\$ 9,650,583</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 28,263	\$ 1,813	\$ -	\$ 36,005	\$ 66,081
Accrued and other liabilities	6,542	18,592	-	-	25,134
Due to other funds	9,875	100,000	-	-	109,875
Due to other governmental units	1,752	-	-	-	1,752
Refundable deposits	283,226	-	-	-	283,226
Deferred revenue (Note 4)	3,629,508	784,881	640,702	594,307	5,649,398
Total liabilities	3,959,166	905,286	640,702	630,312	6,135,466
Fund Balances					
Reserved for:					
Recreation Trail	-	-	-	50,158	50,158
Tax appeals	165,766	35,042	16,399	-	217,207
Construction	-	-	-	10,046	10,046
Unreserved, reported in:					
General Fund - Undesignated	385,472	-	-	-	385,472
General Fund - Designated (Note 14)	795,140	-	-	-	795,140
Special Revenue Funds	-	961,610	-	565,915	1,527,525
Debt Service Funds	-	-	233,180	10,492	243,672
Capital Projects Funds	-	-	-	285,897	285,897
Total fund balances	<u>1,346,378</u>	<u>996,652</u>	<u>249,579</u>	<u>922,508</u>	<u>3,515,117</u>
Total liabilities and fund balances	<u>\$ 5,305,544</u>	<u>\$ 1,901,938</u>	<u>\$ 890,281</u>	<u>\$ 1,552,820</u>	<u>\$ 9,650,583</u>

Charter Township of Milford

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2004

		Major Special Revenue Fund	Major Debt Service Fund		
	General	Fire Voted Millage Operations	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 855,515	\$ 730,665	\$ 618,972	\$ -	\$ 2,205,152
Police millage	2,371,204	-	-	-	2,371,204
Licenses and permits	398,833	-	-	-	398,833
Federal sources	4,940	-	-	-	4,940
State sources	694,906	-	-	-	694,906
Charges for services	37,734	50,000	-	-	87,734
Investment earnings	27,966	15,982	3,586	18,863	66,397
Rubbish billings	-	-	-	357,697	357,697
Special assessments	-	-	-	10,442	10,442
Other	143,535	-	-	22,050	165,585
Total revenue	4,534,633	796,647	622,558	409,052	6,362,890
Expenditures					
General government	734,541	-	-	55,146	789,687
Public safety	2,573,120	564,220	-	-	3,137,340
Public works	198,609	-	-	561,521	760,130
Community and economic development	54,665	-	-	-	54,665
Recreation and culture	31,656	-	-	-	31,656
Capital outlay	25,225	85,340	-	252,215	362,780
Other	302,638	-	-	-	302,638
Debt service	-	-	635,048	5,566	640,614
Total expenditures	3,920,454	649,560	635,048	874,448	6,079,510
Excess of Revenue Over (Under)					
Expenditures	614,179	147,087	(12,490)	(465,396)	283,380
Other Financing Sources (Uses)					
Transfers in (Note 6)	165,000	50,000	146,917	468,720	830,637
Transfers out (Note 6)	(515,892)	(100,000)	-	(214,745)	(830,637)
Issuance of debt	-	-	-	175,000	175,000
Total other financing sources (uses)	(350,892)	(50,000)	146,917	428,975	175,000
Net Change in Fund Balances	263,287	97,087	134,427	(36,421)	458,380
Fund Balances - Beginning of year	1,083,091	899,565	115,152	958,929	3,056,737
Fund Balances - End of year	\$ 1,346,378	\$ 996,652	\$ 249,579	\$ 922,508	\$ 3,515,117

Charter Township of Milford

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities Year Ended December 31, 2004

Fund balance - Total governmental funds	\$ 3,515,117
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,583,331
Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	168,872
Accrued interest payable on long-term debt is not recorded in the funds	(66,034)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(7,550,000)
Investment in joint ventures is not recorded in the funds	41,061
Certain liabilities relating to potential tax refunds have been accrued in the government-wide statements while being shown as reserved fund balance in the fund-based statements	<u>(217,207)</u>
Net assets of governmental activities	<u>\$ 5,475,140</u>

Charter Township of Milford

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds **\$ 458,380**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	143,940
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(744,527)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	168,872
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	250,000
Bond proceeds are not reported as financing sources on the statement of activities	(175,000)
Interest expense is recorded when incurred in the statement of activities	(818)
The change in the investment in joint ventures is not recorded in the governmental funds	<u>15,244</u>

Change in Net Assets of Governmental Activities **\$ 116,091**

Charter Township of Milford

Proprietary Fund Statement of Net Assets December 31, 2004

	Enterprise - Sewer
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 211,566
Restricted assets (Note 8)	<u>489,900</u>
Total current assets	701,466
Noncurrent assets - Capital assets	<u>761,822</u>
Total assets	1,463,288
Liabilities - Current	
Accounts payable	49,742
Accrued liabilities	1,980
Deferred revenue	211,566
Current portion of long-term debt	<u>1,200,000</u>
Total current liabilities	<u>1,463,288</u>
Net Assets	<u><u>\$ -</u></u>

Charter Township of Milford

Proprietary Fund Statement of Cash Flows Year Ended December 31, 2004

	Enterprise - Sewer
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	\$ 211,566
Purchase of capital assets	(710,100)
Proceeds from issuance of debt	<u>1,200,000</u>
Net cash provided by capital and related financing activities	<u>701,466</u>
Net Increase in Cash and Cash Equivalents	701,466
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u>\$ 701,466</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 211,566
Restricted investments (Note 8)	<u>489,900</u>
Total cash and cash equivalents	<u>\$ 701,466</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2004, there were no noncash activities.

Charter Township of Milford

Fiduciary Funds Statement of Net Assets Other Employee Benefit Trust Fund and Agency Funds December 31, 2004

	Retiree Health Care Fund	Agency Funds
Assets - Cash and cash equivalents (Note 3)	\$ 30,000	<u><u>\$ 2,471,416</u></u>
Liabilities		
Deposits	-	\$ 86,902
Due to other governmental units	-	589,967
Tax collections distributable	-	<u>1,794,547</u>
Total liabilities	-	<u><u>\$ 2,471,416</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 30,000</u></u>	

Charter Township of Milford

Fiduciary Funds Statement of Changes in Net Assets Other Employee Benefit Trust Fund Year Ended December 31, 2004

	Retiree Health Care Fund
Additions - Employer contributions	\$ 30,000
Net Assets Held in Trust for Other Employee Benefits	
Beginning of year	-
End of year	<u><u>\$ 30,000</u></u>

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Milford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Milford:

Reporting Entity

The Charter Township of Milford is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the financial operations of the Township. The cash and investments of the Charter Township of Milford Library are recorded in an Agency Fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Fire Voted Millage Operations Fund - The Fire Voted Millage Operations Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

Debt Service Fund - The Debt Service Fund accounts for the proceeds of a property tax levy that are earmarked for debt service on the Library and Police Facility Bonds.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund is used to account for the issuance of debt to be used for the construction of a sewer system.

Additionally, the Township reports the following fund types:

Other Employee Benefits Trust Fund - The Other Employee Benefits Trust Fund accounts for resources accumulated for other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. The Sewer Fund did not report any operating or nonoperating revenues and expenses in the current year.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 ad valorem tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township totaled \$752,719,531, on which ad valorem taxes levied consisted of 1.0819 mills for operating purposes, 3.0654 mills for police services, .9469 mills for fire service, and .8000 mills for debt service. This resulted in \$855,515 for operating, \$2,371,204 for police services, \$730,662 for fire service, and \$618,972 for debt service. Amounts for operating and police services are recognized in the General Fund financial statements as tax revenue and amounts for fire service and debt service are recognized in the respective Special Revenue and Debt Service Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - Unspent bond proceeds of the Sewer Fund and Annie Lang Capital Projects Fund are required to be set aside for construction. Unspent bond proceeds of the Debt Service Fund were restricted for debt service upon completion of the related construction. Grant revenue received in the Road Fund prior to the expenditure being incurred is required to be set aside for construction of a recreation trail.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$7,809 of interest expense, net of related interest income, was capitalized as part of the cost of assets under construction.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Library building and contents	16 years
Computer equipment	5 to 7 years
Machinery and equipment	10 years
Vehicles	7 to 15 years
Furniture and fixtures	20 years
Recreation paths	15 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for unpaid sick pay since the Township does not have a policy to pay any amounts when employees separate from service with the Township. There is no liability for unpaid vacation pay since the Township recognizes any liability at the time the vacation time is taken or an employee separates from service with the Township in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Accounting Changes

GASB Statement No. 34 - Effective January 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements. Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- The fund financial statements focus on major funds rather than fund types.
- Capital assets at January 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$482,000 to reflect the historical cost of the Township's capital assets at that date.
- The governmental activities column includes bonds and other long-term obligations totaling \$7,625,000 previously reported in the General Long-term Debt Account Group.

Revenue Recognition - The Township changed its method of accounting for state-shared revenue in the fund-based modified accrual statements. Beginning in 2004, state-shared revenue collected within 60 days of the end of the current fiscal period is recognized as revenue in the current period. Previously, the Township accrued state-shared revenue collected within 30 days of the end of the current fiscal period. As a result, an additional \$104,098 was recognized as state-shared revenue as of December 31, 2004.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2004 is as follows:

Shortfall at January 1, 2004		\$	(283,399)
Building permit revenue			390,843
Related expenses:			
Direct costs	\$	280,370	
Estimated indirect costs		<u>53,062</u>	<u>333,432</u>
Current year surplus			<u>57,411</u>
Cumulative shortfall at December 31, 2004		\$	<u><u>(225,988)</u></u>

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment as listed above.

The Charter Township of Milford's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds
Cash and cash equivalents	\$ 5,939,414	\$ 211,566	\$ 6,150,980	\$ 2,501,416
Restricted assets	207,121	489,900	697,021	-
Total	<u>\$ 6,146,535</u>	<u>\$ 701,466</u>	<u>\$ 6,848,001</u>	<u>\$ 2,501,416</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 6,246,196	\$ 2,373,074
Investments	601,505	128,000
Petty cash or cash on hand	300	342
Total	<u>\$ 6,848,001</u>	<u>\$ 2,501,416</u>

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$8,050,252, of which \$800,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

The Township's investments during the year consisted solely of bank investment pools of \$354,805 and interlocal agreements of \$374,700 at December 31, 2004.

The bank investment pools are regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, the Township's investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in these funds comply with the investment authority noted above.

The Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities	Business-type Activities
	Unavailable	Unearned	Total	Unearned	Unearned
Property taxes levied for 2005 operations	\$ -	\$ 5,430,526	\$ 5,430,526	\$ 5,430,526	\$ -
Special assessments	168,872	-	168,872	-	-
Special assessment collections	-	-	-	-	211,566
Grant payment received prior to meeting all eligibility requirements	-	50,000	50,000	50,000	-
Total	<u>\$ 168,872</u>	<u>\$ 5,480,526</u>	<u>\$ 5,649,398</u>	<u>\$ 5,480,526</u>	<u>\$ 211,566</u>

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Governmental Activities				
Capital assets not being depreciated - Land	\$ -	\$ 4,534	\$ -	\$ 4,534
Capital assets being depreciated:				
Buildings and improvements	3,719,674	77,569	-	3,797,243
Library building and contents	6,842,820	-	-	6,842,820
Computer equipment	152,394	4,865	-	157,259
Machinery and equipment	390,270	23,887	-	414,157
Vehicles	1,559,556	33,085	-	1,592,641
Furniture and fixtures	152,350	-	-	152,350
Recreation paths	155,000	-	-	155,000
Subtotal	12,972,064	139,406	-	13,111,470
Accumulated depreciation:				
Buildings and improvements	1,037,990	156,926	-	1,194,916
Library building and contents	427,676	427,676	-	855,352
Computer equipment	140,426	8,022	-	148,448
Machinery and equipment	246,667	31,417	-	278,084
Vehicles	855,878	101,716	-	957,594
Furniture and fixtures	69,176	8,437	-	77,613
Recreation paths	10,333	10,333	-	20,666
Subtotal	2,788,146	744,527	-	3,532,673
Net capital assets being depreciated	10,183,918	(605,121)	-	9,578,797
Net capital assets	<u>\$ 10,183,918</u>	<u>\$ (600,587)</u>	<u>\$ -</u>	<u>\$ 9,583,331</u>

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 5 - Capital Assets (Continued)

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Business-type Activities				
Capital assets not being depreciated -				
Construction in progress	\$ -	\$ 761,822	\$ -	\$ 761,822

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 49,796
Public safety	253,232
Recreation and culture	441,499
Total governmental activities	\$ 744,527

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Fire Voted Millage Operation	\$ 100,000
Other governmental funds	General Fund	9,875
Total		\$ 109,875

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount	
General Fund	Fire Voted Millage Operations Fund	\$ 50,000	*
General Fund	Refuse Collection Fund	138,180	*
General Fund	Road Fund	210,000	*
General Fund	Land Acquisition Fund	25,000	*
General Fund	Cemetery Improvement Fund	92,712	*
Total transfers from General Fund		515,892	
Fire Voted Millage Operations Fund General Fund		100,000	*
Road Fund	General Fund	65,000	*
Police Construction Fund	Building Authority Fund	146,917	**
Annie Lang Capital Projects Fund	Annie Lang Debt Service Fund	2,828	**
Total transfers from other nonmajor governmental funds		214,745	
Total		<u>\$ 830,637</u>	

* These transfers represent the use of unrestricted resources in accordance with budgetary authorizations

** These transfers represent unspent bond proceeds to be used for debt service

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Library and Police Facility							
Amount of issue: \$8,100,000	5.00% -	\$ 100,000	\$ 7,625,000	\$ -	\$ 250,000	\$ 7,375,000	\$ 290,000
Maturing through 2020	5.25%	675,000					
Special assessment bonds:							
Annie Lang Road Improvements:							
Amount of issue: \$175,000	4.40% -	15,000	-	175,000	-	175,000	-
Maturing through 2014	5.75%	20,000					
Total governmental activities			<u>\$ 7,625,000</u>	<u>\$ 175,000</u>	<u>\$ 250,000</u>	<u>\$ 7,550,000</u>	<u>\$ 290,000</u>
Business-type Activities							
General obligation bonds:							
SEMIS Sewer Limited Tax Note							
Amount of issue: \$1,200,000							
Maturing through 2005 *	1.98%	\$ 1,200,000	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

* The SEMIS Sewer Limited Tax Notes represent a short-term borrowing to fund the initial costs associated with the Township's sewer project. It is anticipated that these short-term notes will be paid from the proceeds of the long-term debt to be issued during the next phase of the project during 2005.

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 290,000	\$ 380,250	\$ 670,250	\$ 1,200,000	\$ 11,880	\$ 1,211,880
2006	330,000	365,250	695,250	-	-	-
2007	350,000	348,370	698,370	-	-	-
2008	370,000	330,490	700,490	-	-	-
2009	385,000	311,735	696,735	-	-	-
2010-2014	2,275,000	1,236,195	3,511,195	-	-	-
2015-2019	2,875,000	570,153	3,445,153	-	-	-
2020	675,000	17,719	692,719	-	-	-
Total	<u>\$ 7,550,000</u>	<u>\$ 3,560,162</u>	<u>\$ 11,110,162</u>	<u>\$ 1,200,000</u>	<u>\$ 11,880</u>	<u>\$ 1,211,880</u>

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities				Business-type
	Annie Lang			Total	Activities
	Debt	Capital		Governmental	
	Service Fund	Projects Fund	Road Fund	Activities	Sewer Fund
Unspent bond proceeds and related interest	\$ 146,917	\$ 10,046	\$ -	\$ 156,963	\$ 489,900
Grant revenue received prior to expenditure	-	-	50,158	50,158	-
Total restricted assets	<u>\$ 146,917</u>	<u>\$ 10,046</u>	<u>\$ 50,158</u>	<u>\$ 207,121</u>	<u>\$ 489,900</u>

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation. The Township has purchased commercial insurance for medical and dental claims, participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation, and is uninsured for unemployment compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 10 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees and firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Township employees are eligible to participate upon completion of six months of employment and firefighters are eligible upon hiring date. As established by the Township Board, the Township contributes an amount equal to 15 percent of the Township employee's base salary each month. The Township also contributes an amount equal to 15 percent of the firefighter's salary based on eligible hours. All participating employees shall have their benefits vested at the rate of 25 percent after one year of completed service and 25 percent for each additional year of completed service until 100 percent vested. In accordance with these requirements, the Township contributed approximately \$84,900 during the current year.

Note 11 - Joint Ventures

The Township is a member of the Western Oakland County Cable Commission Authority (the "Authority"), which provides cable services to the residents of the Villages of Milford and Wolverine Lake, the Townships of Commerce, Highland, Lyon, Milford, and White Lake, and the cities of Walled Lake and Wixom. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the Township. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The investment in the Authority of \$41,061 is recorded in the statement of net assets.

Note 12 - Contingent Liabilities

In the normal course of its activities, the Township is involved in a variety of issues which lend themselves to potential legal exposure. The estimated liability associated with these issues, if any, cannot be determined; therefore, no liability has been recorded.

Charter Township of Milford

Notes to Financial Statements December 31, 2004

Note 13 - Other Postemployment Benefits

The Township provides health care benefits to all employees who retire after at least 20 years of continuous full-time service and who have attained at least the age of 55 in accordance with the Township's *Personnel Policy and Procedures Manual*. The Township includes pre-Medicare retirees and their spouses in its insured health care plan, with no contribution required by the participant. Once the retiree is entitled to Medicare coverage, the Township shall provide the difference in coverage between coverages provided by Medicare and the retired employee's Township-provided insurance coverage. The Township also provides health care benefits to all employees who retire after at least 10 years of continuous full-time service and who have attained at least the age of 62. For every year of employment with the Township, the Township will contribute \$15.60 toward the employee's monthly health insurance and \$15.60 toward the spouse's monthly health insurance. The retired employee and spouse must apply for Medicare when eligible. Currently, two retirees are eligible for health care benefits. Expenditures for postemployment health care benefits approximated \$18,000 for the current year.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 14 - Designated Fund Balance

The fund balance of the General Fund has been designated for the following purposes:

Sanitation	\$ 127,200
Roads	348,600
Bike path maintenance	25,000
Land acquisition	50,000
Retiree health care	100,000
Cemetery operations	94,340
Capital projects	<u>50,000</u>
Total	<u>\$ 795,140</u>

Required Supplemental Information

Charter Township of Milford

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 853,991	\$ 861,802	\$ 855,515	\$ (6,287)
Police millage	2,392,822	2,484,084	2,371,204	(112,880)
Licenses and permits	88,600	236,562	398,833	162,271
Federal sources	19,301	19,301	4,940	(14,361)
State sources	622,161	622,161	694,906	72,745
Charges for services	86,875	87,734	37,734	(50,000)
Investment earnings	15,000	21,365	27,966	6,601
Other	60,000	149,353	143,535	(5,818)
Total revenue	4,138,750	4,482,362	4,534,633	52,271
Expenditures				
General government:				
Legislative	9,075	9,075	8,740	335
Executive	104,927	105,416	104,468	948
Administration	655,849	686,338	621,333	65,005
Total general government	769,851	800,829	734,541	66,288
Public safety:				
Police protection	2,308,040	2,484,084	2,371,047	113,037
Building department	183,411	188,900	202,073	(13,173)
Total public safety	2,491,451	2,672,984	2,573,120	99,864
Public works	91,900	164,000	198,609	(34,609)
Community and economic development:				
Economic opportunities	35,600	35,600	22,064	13,536
Planning	54,800	44,800	27,661	17,139
Community development block grant	19,301	19,301	4,940	14,361
Total community and economic development	109,701	99,701	54,665	45,036
Recreation and culture	69,350	69,350	31,656	37,694
Capital outlay	52,500	31,600	25,225	6,375
Other	361,285	351,285	302,638	48,647
Total expenditures	3,946,038	4,189,749	3,920,454	269,295
Excess of Revenue Over Expenditures	192,712	292,613	614,179	321,566
Other Financing Sources (Uses)				
Operating transfers in	-	-	165,000	165,000
Operating transfers out	(515,892)	(515,892)	(515,892)	-
Total other financing sources (uses)	(515,892)	(515,892)	(350,892)	165,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(323,180)	(223,279)	263,287	486,566
Fund Balance - Beginning of year	1,083,091	1,083,091	1,083,091	-
Fund Balance - End of year	<u>\$ 759,911</u>	<u>\$ 859,812</u>	<u>\$ 1,346,378</u>	<u>\$ 486,566</u>

Charter Township of Milford

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Year Ended December 31, 2004

	Fire Voted Millage Operations			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 735,952	\$ 732,442	\$ 730,665	\$ (1,777)
Charges for services	-	-	50,000	50,000
Investment earnings	10,000	10,000	15,982	5,982
Total revenue	745,952	742,442	796,647	54,205
Expenditures				
Capital outlay	230,000	230,000	85,340	144,660
Public safety	704,978	704,978	564,220	140,758
Total expenditures	934,978	934,978	649,560	285,418
Excess of Revenue Over (Under) Expenditures	(189,026)	(192,536)	147,087	339,623
Other Financing Sources (Uses)				
Operating transfers in	189,026	189,026	50,000	(139,026)
Operating transfers out	-	-	(100,000)	(100,000)
Total other financing sources (uses)	189,026	189,026	(50,000)	(239,026)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	-	(3,510)	97,087	100,597
Fund Balance - Beginning of year	899,565	899,565	899,565	-
Fund Balance - End of year	<u>\$ 899,565</u>	<u>\$ 896,055</u>	<u>\$ 996,652</u>	<u>\$ 100,597</u>

Charter Township of Milford

Note to Required Supplemental Information December 31, 2004

Note - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. All annual appropriations lapse at fiscal year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and Major Special Revenue Fund budget as adopted by the Township Board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budget as adopted by the Township Board is available at the clerk's office for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Fire Voted Millage Operations Fund (Fire Fund) incurred transfer out expenditures in the amount \$100,000. These transfers were not budgeted due to the Township performing an analysis after December 31, 2004 of the amounts received by the Fire Fund from the General Fund. The analysis showed that the General Fund had contributed an excess of \$50,000 to the Fire Fund in both 2003 and 2004. The total excess amount of \$100,000 has been properly returned to the General Fund at December 31, 2004.

Other Supplemental Information

Charter Township of Milford

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Fund
	Refuse Collection	Cemetery Improvement	Road	Annie Lang
Assets				
Cash and cash equivalents	\$ 406,102	\$ 52,016	\$ 399,276	\$ 29,384
Special assessments	-	-	-	149,980
Taxes receivable	160,086	-	-	-
Due from other funds	-	9,875	-	-
Restricted assets	-	-	50,158	-
Total assets	<u>\$ 566,188</u>	<u>\$ 61,891</u>	<u>\$ 449,434</u>	<u>\$ 179,364</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 35,796	\$ 209	\$ -	\$ -
Deferred revenue	375,435	-	50,000	168,872
Total liabilities	411,231	209	50,000	168,872
Fund Balances				
Reserved for recreation trail	-	-	50,158	-
Reserved for construction	-	-	-	-
Unreserved	154,957	61,682	349,276	10,492
Total fund balances	154,957	61,682	399,434	10,492
Total liabilities and fund balances	<u>\$ 566,188</u>	<u>\$ 61,891</u>	<u>\$ 449,434</u>	<u>\$ 179,364</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
Police Construction	Land Acquisition	Annie Lang	
\$ 2,224	\$ 283,673	\$ -	\$ 1,172,675
-	-	-	149,980
-	-	-	160,086
-	-	-	9,875
-	-	10,046	60,204
<u>\$ 2,224</u>	<u>\$ 283,673</u>	<u>\$ 10,046</u>	<u>\$ 1,552,820</u>
\$ -	\$ -	\$ -	\$ 36,005
-	-	-	594,307
-	-	-	630,312
-	-	-	50,158
-	-	10,046	10,046
<u>2,224</u>	<u>283,673</u>	<u>-</u>	<u>862,304</u>
<u>2,224</u>	<u>283,673</u>	<u>10,046</u>	<u>922,508</u>
<u>\$ 2,224</u>	<u>\$ 283,673</u>	<u>\$ 10,046</u>	<u>\$ 1,552,820</u>

Charter Township of Milford

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Fund
	Refuse Collection	Cemetery Improvement	Road	Annie Lang
Revenue				
Special assessments	\$ -	\$ -	\$ -	\$ 10,442
Rubbish billings	357,697	-	-	-
Investment earnings	2,258	475	10,901	163
Other	-	22,050	-	-
Total revenue	359,955	22,525	10,901	10,605
Expenditures				
General government	-	55,146	-	-
Public works	453,397	-	108,124	-
Capital outlay	-	10,811	-	-
Debt service	-	-	-	2,941
Total expenditures	453,397	65,957	108,124	2,941
Excess of Revenue Over (Under) Expenditures	(93,442)	(43,432)	(97,223)	7,664
Other Financing Sources (Uses)				
Transfers in	138,180	92,712	210,000	2,828
Transfers out	-	-	(65,000)	-
Issuance of debt	-	-	-	-
Total other financing sources (uses)	138,180	92,712	145,000	2,828
Net Change in Fund Balances	44,738	49,280	47,777	10,492
Fund Balances - Beginning of year	110,219	12,402	351,657	-
Fund Balances - End of year	<u>\$ 154,957</u>	<u>\$ 61,682</u>	<u>\$ 399,434</u>	<u>\$ 10,492</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2004

Nonmajor Capital Projects Fund			Total Nonmajor Governmental Funds
Police Construction	Land Acquisition	Annie Lang	
\$ -	\$ -	\$ -	\$ 10,442
-	-	-	357,697
1,833	3,072	161	18,863
-	-	-	22,050
1,833	3,072	161	409,052
-	-	-	55,146
-	-	-	561,521
77,638	4,104	159,662	252,215
-	-	2,625	5,566
77,638	4,104	162,287	874,448
(75,805)	(1,032)	(162,126)	(465,396)
-	25,000	-	468,720
(146,917)	-	(2,828)	(214,745)
-	-	175,000	175,000
(146,917)	25,000	172,172	428,975
(222,722)	23,968	10,046	(36,421)
224,946	259,705	-	958,929
<u>\$ 2,224</u>	<u>\$ 283,673</u>	<u>\$ 10,046</u>	<u>\$ 922,508</u>

Charter Township of Milford

Supplemental Information Combining Balance Sheet Fiduciary Funds December 31, 2004

	Agency Funds			
	Tax Collections	Other Agency	Library	Totals
Assets - Cash and investments	<u>\$ 1,794,547</u>	<u>\$ 86,902</u>	<u>\$ 589,967</u>	<u>\$ 2,471,416</u>
Liabilities				
Deposits	\$ -	\$ 86,902	\$ -	\$ 86,902
Due to other governmental units	-	-	589,967	589,967
Tax collections distributable	<u>1,794,547</u>	<u>-</u>	<u>-</u>	<u>1,794,547</u>
Total liabilities	<u>\$ 1,794,547</u>	<u>\$ 86,902</u>	<u>\$ 589,967</u>	<u>\$ 2,471,416</u>